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TAGS: [PREL](#) [MASS](#) [EAID](#) [PGOV](#) [PA](#)
SUBJECT: BACHELET VISIT TO PARAGUAY

¶1. (SBU) SUMMARY: Chilean President Michelle Bachelet met Paraguayan President Fernando Lugo July 22 before the July 24 MERCOSUR Summit in Asuncion. Bachelet reaffirmed to Lugo Chile's desire to buy Paraguay's electricity, and the two presidents signed a joint declaration to cooperate on social programs. Bachelet spoke at a special session of Congress where she voiced her concern about democracy in Latin America, and announced that after July 26 Paraguay will enjoy duty-free access to Chile's market. Accompanied by Lugo, Bachelet visited a shantytown on the outskirts of Asuncion, where Lugo for the first time expressed a clear preference for the Chilean model for social development. Lugo scored a public relations victory with Bachelet's visit, delivering a clear signal about his intention to move Paraguay closer to Chile. END SUMMARY.

¶2. (U) Chilean President Michelle Bachelet arrived in Asuncion July 22 to meet with Paraguayan President Fernando Lugo before the July 24 MERCOSUR Summit. Upon her arrival, Bachelet stated her visit was intended to deepen cooperation with Paraguay and advance a common agenda of modernization and social progress. (NOTE: Bachelet did not make any comments regarding the sexual scandal that forced the resignation of Paraguay's designated Ambassador to Chile Armando Espinola. END NOTE.)

¶3. (U) Lugo and Bachelet discussed the global financial crisis, the influenza pandemic, Chile's desire to host the 2015 Americas Cup soccer tournament, and the situation in Honduras. During their meeting, Bachelet reaffirmed to Lugo Chile's desire to buy Paraguay's electricity. Bachelet also reviewed Chile's ongoing cooperation efforts in the areas of governability, education, public sector modernization, security, and trade. The meeting ended with signing of a joint declaration of cooperation on social programs, as well as agreements with the Chilean Agency for International Cooperation for assistance with housing development, education, and police.

¶4. (U) Congress held a special session in honor of Bachelet where legislators listened to her concerns about regional developments. Bachelet admitted that democracy in Latin America is not yet consolidated. She said Chile will work through UNASUR and will not participate in the proposed Bolivarian Armed Forces. She said governments could be "popular without being populist." Bachelet announced that after July 26, Paraguay will enjoy duty-free access to Chile's market, as all levies and tariffs on Paraguayan goods are eliminated.

¶5. (U) Accompanied by Lugo, Bachelet visited a shantytown on the outskirts of Asuncion to launch a social program called "Paraguay Solidario" -- a Paraguayan version of the Chilean plan "Chile Solidario" which helped reduce poverty in Chile. At the event, Lugo made clear for the first time his preference for the Chilean model of social development.

Bachelet explained the program's social and economic objectives, including aspects related to cash transfers and food security for vulnerable families and children.

¶6. (SBU) COMMENT: In his recent visit to La Paz for Bolivia's 200th anniversary, Lugo quietly listened to rhetoric from Chavez and Morales, causing many to worry that his silence was acquiescence. However, upon his return to Asuncion, Lugo clarified that Paraguay seeks greater integration with MERCOSUR, and is not part of the Bolivarian project. Those statements, coupled with Bachelet's visit, gave Lugo a solid public relations victory with overwhelmingly positive press coverage. For the first time, Lugo delivered a clear (and welcome) signal about his intention to move Paraguay closer to Chile. END COMMENT.
Fitzpatrick